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Final Discussion Draft Securities Law

Final Discussion Draft Report

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Final Discussion draft

Chapter 1 **Definitions**

Short title Article 1.

This Law shall be cited as -----, and shall come into force as of the date of its publication in the Official Gazette unless otherwise provided herein.

Article 2. Definitions

Wherever mentioned in this Law, the following terms and expressions shall have the meanings ascribed thereto hereunder unless otherwise indicated by context:

The Commission: The Jordan Securities Commission

The Chairman of the Jordan Securities Commission The Chairman:

Person: Natural or legal person.

Bank: A commercial bank licensed by the Central Bank to have the

> power to accept deposits and other repayable funds from the public, to extend guarantee and commitment service and to

conduct money brokering.

Stock Exchange: Amman Bourse/The Stock Exchange

The Center: The Securities Depository Center

Financial Services

A legal person licensed under this Law to engage in the business of Company:

> performing services as an investment trustee, an investment manager, a financial consultant, a financial broker ("broker"), a

dealer, a manager of primary issues ("underwriter") or a combination of these functions that is permitted under the

provisions of this Law.

Investment Trustee: Any legal person, who, for compensation, undertakes to administer

> and monitor the management of a clients' investments so as to ensure conformity with the client's investment policy specified in

an agreement concluded between the client and the investment manager.

Investment Manager: Any legal person other than an insurance company, pension fund,

provident fund, Social Security fund, or bank (with respect to its own lawful activities) that is engaged in the business of managing securities portfolios or collective investment pools for others.

Financial Consultant: Any legal person engaged in the business of providing advice with

respect to securities investment to others for a fee, charge or

commission.

Financial Broker

or Broker: Includes any person engaged in the business of effecting

transactions in securities for the account of others.

Dealer: Any person engaged in the business of buying and selling

securities for his own account, through a broker or otherwise; provided, however, that the term does not include any person insofar as he buys or sells securities for his own account, either individually or in some fiduciary capacity, not as a part of a regular

business.

Salesman: Includes every natural person, other than a dealer, who is

employed, appointed or authorized by a dealer, issuer or broker to sell securities in any manner. The partners in a partnership and the executive officers of a corporation or other association registered as a dealer shall not be salesmen within the meaning of this

definition.

The Depository: The company licensed by the Commission to

practice depository activities

Manager of Primary

Issues: An underwriter.

Underwriter: A legal person who markets securities on

behalf of an issuer or control person.

Issuer: Any person issuing or announcing the intention

to issue securities.

Public issuer: Means any issuer with an effective prospectus

on file with the Commission pursuant to

Article-- .

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Affiliate: A person who controls another person or is

controlled by that other person, or who, together with that person is controlled by the

same person.

Control: The ability to influence effectively directly

or indirectly the actions and decisions of

another person

Short Sale: The commitment to sell a security which is not owned by the seller

at the time of the commitment.

Relatives: Persons related in the first, second or third

degree.

Investment

company: For the purposes of this Law, the term "investment company" shall

mean a legal person whose principal activity or intended activity is investing and trading in securities of other issuers, or one which owns or intends to own more than fifty percent of its total assets in the form of securities of other issuers. This does not include banks or insurance companies performing business as such. While all mutual funds are investment companies, not all investment

companies are mutual funds.

Mutual fund: An organization created under, and operating in accordance with,

the provisions of Chapter -- of this Law, and any rules, regulations or instructions thereunder, to invest in a portfolio of shares or other

financial assets for the purposes of providing professional

management of a collective investment on behalf of the interests of

its shareholders.

Bonds: Negotiable securities with a maturity of two years or more from

issue for which the interest rate and the terms for the repayment of the principal and the payment of interest are determined at the time of issue. The bonds referred to in category IV of the Nomenclature are those issued by both public and private bodies.' [From EU 86-

566]

Public investors: Persons who invest in financial assets who are neither

professionals engaged in capital market activities nor institutional

investors.

Institutional

investors: Include pension funds, provident funds, investment companies,

collective investments, banks, insurance companies, mutual funds

and venture capital funds.

Trading market in securities:

Includes any organized stock exchange or

periodic or continuous use of media of public communication to buy or sell

securities or financial assets

Professionals engaged in capital market activities:

Means a person required to be registered or licensed by the Commission pursuant to the provisions of this Law, including

Commission pursuant to the provisions of this Law, including brokers, dealers, banks not exempt from the provisions of this Law, managers of primary issues ("underwriters"), financial consultants, investment trustees, financial services companies, investment managers, investment companies, mutual funds, stock exchanges, securities depositories and persons engaged in the

clearing and settlement of securities transactions.

Licensed person: Means a person registered or licensed by the Jordan Securities

Commission pursuant to any of the requirements of this Law.

Financial intermediaries:

Means any natural or legal person engaged in the business of

assisting businesses to raise investment funds from unrelated persons. The term includes brokers and dealers acting as underwriters, venture capital funds and venture capital firms, merchant banks, investment banks and other financial institutions not licensed to carry on banking business in the Kingdom under the provisions of the Banking Law and regulated by the Central

Bank.

Collective

investment pool: Means a mingled portfolio of investments or interests in

investments where the beneficial interest is comprised of multiple

owners.

Security: The term "security" means the following:

- 1. Negotiable and transferable shares, evidence of ownership interest, right to participate in earnings, evidence of debt, preorganization certificate or subscription, contracts to purchase or sell any interest in the foregoing either now or in the future, issued by any limited partnership, limited liability company, limited partnership in shares or public share company;
- 2. Any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the rights and interests listed in paragraph 1;
- 3. Any other local or foreign securities that are commonly recognized as securities and considered as such by the Commission, subject to the provisions of the legislation in force.
- 4. The following shall not be deemed securities within the meaning of this definition: commercial papers such as cheques, bills of exchange, documentary credit, and transfers; instruments exclusively traded among banks; insurance policies and entitlements in pension funds which are financed by other than contributions of beneficiaries.

Chapter 2 **The Securities Commission**

Article 3. Establishment of the Jordan Securities Commission

- a) A Commission known as the "Jordan Securities Commission" hereby is established in the Kingdom as an autonomous corporate body. As a separate juridical person, the Commission is vested with administrative and financial independence, and, in its own name, has the right and power to own, lease and dispose of property, to enter into contracts, and to sue and be sued. Any property purchased, owned or leased, however, shall be related to the Commission's uses and performance of its duties. It shall also have its own seal.
- b) The Commission shall report to the Prime Minister.
- c) The Commission shall enjoy all the exemptions and privileges accorded to Ministries and Government departments and is exempted from all governmental taxes and duties, including customs duties, revenue stamps and the general sales tax. The Commission shall not engage in commercial activity, have a stake in any project, borrow or lend funds, or acquire, own or issue securities.
- d) The Commission may be represented by the Attorney General or the General Civil Attorney or it may authorize any lawyer to act on its behalf. The Commission's headquarters shall be in Amman.

Article 4. Composition of Commission

a) The Securities Commission shall be comprised of five members who shall be Jordanian natural persons, serve on the Board on a full time basis, and be experts in

- securities. Commissioners shall be appointed for a five-year term, and the salaries and financial entitlements thereof shall be determined by a decision of the Council of Ministers, endorsed by a Royal Decree.
- b) The first Commission to be formed after the coming into force of this Law, shall have one member appointed for a one-year term, another for a two-year term, a third for a three-year term, a fourth for a four-year term, and the Chairman shall be appointed for a five-year term.
- c) Upon assuming duty, Commissioners shall declare in writing to the full Commission any securities or interests in capital market participants he or she owns, has at his or her disposal or at the disposal of any relatives. Commissioners shall also declare in writing to the full Commission any changes to the aforementioned within three days of his or her knowledge thereof. These writings shall be maintained as public records by the Commission.
- d) A Commissioner shall not practice any other profession or assume any other job, including occupying a ministerial post, being a member of Parliament, being employed by or occupying a post in a company, an enterprise, the Government, any official public institution, public enterprise or municipality. A Commissioner shall also not be someone in a position to influence the decisions of such entities, or who acts in a consultative capacity thereto.

Article 5. Commission role and function

The role and function of the Securities Commission are

- (1) the protection of investors;
- (2) ensuring that markets are fair, efficient and transparent; and (3) the reduction of systemic risk.

Article 6. Commission responsibilities and powers

In furtherance of its role and function, it shall be the responsibility of the Securities Commission, and it hereby is vested with the power and authority necessary, to --

- Establish requirements, and procedures for confirming compliance with those requirements, to assure that issuers of securities make complete and accurate disclosure of information material to investors in connection with public offerings of securities;
- Establish requirements, and procedures for confirming compliance with those requirements, for a system of periodic reporting by issuers of securities traded in the public securities trading markets in the Kingdom;
- Establish requirements, and procedures for confirming compliance with those requirements, for the licensing, registration and monitoring of professionals engaged in capital market activities;
- Establish requirements, and procedures for confirming compliance with those requirements, regarding the organization and conduct of public trading markets in securities:

- Establish requirements, and procedures for confirming compliance with those requirements, for collective investments in which public investors participate;
- To issue rules, regulations and instructions in furtherance of these responsibilities;
- To supervise compliance with the provisions of this Law and rules, regulations and instructions issued thereunder, and to impose sanctions for violations of those provisions, rules, regulations or instructions.

The scope and nature of the power and authority hereby vested in the Commission shall be as more particularly stated in the specific provisions of this Law related to each of the above.

Article 7. Inspection, investigation, surveillance and enforcement

- a) The Commission or any officer designated by it may make such investigations as it deems necessary to determine whether any person has violated, is violating, or is about to violate any provision of this Law or the rules, regulations or instructions thereunder.
- b) The Commission or any officer designated by it is authorized to inspect, and make copies of, the books and records of any licensed person within the meaning of this Law, either with or without prior notice; except any such inspection shall be conducted only during customary business hours.
- c) For the purpose of any investigation, or any other proceeding authorized under this Law, the Commission or any officer designated by it is authorized and empowered to compel the attendance of witnesses, take evidence under oath, and require the production of any books or records which the Commission deems relevant or material to the inquiry.
- d) The Commission is authorized, in its discretion, to investigate any facts, conditions, practices, or matters which it may deem necessary or proper to aid in the enforcement of the provisions of this Law, in the prescribing of rules, regulations and instructions under this Law, or in securing information to serve as a basis for recommending further legislation related to the capital market.
- e) The Commission is authorized, in its discretion, to publish information concerning any violations of the provisions of this Law.
- f) For purposes of this Article, books and records shall include bank statements, correspondence, memoranda, documents, computer files and other written or electronic forms of information storage.
- g) At the request of a foreign securities commission or regulator, the Commission is authorized to support an investigation by that commission or regulator by providing information about licensed persons or their business or by carrying out an investigation itself.

Article 8. Commission power to suspend dealings, public offers or operations

The Commission, upon a determination of good cause therefor, is empowered to order the following:

- Suspension of dealings in any listed security for the period it deems appropriate;
- Cessation of a public offering of a new issuance of securities for the period it deems appropriate;
- Cessation of continued business activity by a licensed capital market participant for the period it deems appropriate;

Article 9. Commission power to proceed against violations

- a) If the Commission finds, after notice and opportunity for hearing, that any person is violating, has violated, or is about to violate any provision of this Law, or any rule or regulation thereunder, the Commission may publish its findings and enter an order requiring such person to cease and desist from committing or causing such violation and any future violation of the same provision, rule, or regulation.
- b) The notice instituting proceedings pursuant to subsection this section shall fix a hearing date.
- c) The Commission may enter a temporary order to cease and desist pending a hearing whenever the Commission determines that an alleged violation or a threatened violation is likely to result in significant dissipation or conversion of assets, significant harm to investors, or substantial harm to the public interest. Such an order shall be entered only after notice and opportunity for a hearing, unless the Commission determines that notice and hearing prior to entry would be impracticable or contrary to the public interest. A temporary order shall become effective upon service upon the respondent and, unless set aside, limited, or suspended by the Commission or a court of competent jurisdiction, shall remain effective and enforceable pending the completion of the proceedings. This paragraph shall apply only to a respondent that acts, or, at the time of the alleged misconduct acted, as a licensed participant in the capital market of Jordan.
- d) At any time after the respondent has been served with a temporary cease-and-desist order pursuant to this section, the respondent may apply to the Commission to have the order set aside, limited, or suspended. If the respondent has been served with a temporary cease-and-desist order entered without a prior Commission hearing, the respondent may, within 10 days after the date on which the order was served, request a hearing on such application and the Commission shall hold a hearing and render a decision on such application at the earliest possible time.

e) Within--

(A) 10 days after the date the respondent was served with a temporary cease- and-desist order entered with a prior Commission hearing, or

(B) 10 days after the Commission renders a decision on an application and hearing under paragraph (1), with respect to any temporary cease-and-desist order entered without a prior Commission hearing,

the respondent may apply to the court for an order setting aside, limiting, or suspending the effectiveness or enforcement of a Commission order, or temporary order, issued pursuant to this Article, and the court shall have jurisdiction to enter such an order.

Article 10. Commission action after hearing

If after notice and opportunity for a hearing the Commission finds that any person has breached, or taken preparatory measures to breach the provisions of this Law, or any rules, regulations or instructions thereunder, the Commission may where appropriate take one of more of the following actions:

- (1) Order that person within a specified period of time to do one or more of the following:
 - (a) undo the breach;
 - (b) cease and desist from committing the breach; and
- (2) Fine that person up to a maximum of ____;
- Order the cessation of the issuance or dealing of any securities of which that person is the issuer and to which the offence relates;
- (4) If that person is a licensed person, suspend or revoke his license;
- (5) Refer the breach to the criminal court.

Article 11. Commission authority to assess money penalties

- a) The Commission may impose a civil penalty if it finds, on the record after notice and opportunity for hearing, that any person--
- (1) has willfully violated any provision of this Law and that such willful violation has caused measurable, serious damage to public investors;
- (2) has willfully aided, abetted, counseled, commanded, induced, or procured such a violation by any other person; or
- (3) has willfully made or caused to be made in any application or report required by this Law to be filed with the Commission, any statement which was, at the time and in the light of the circumstances under which it was made, false or misleading with respect to any material fact, or has omitted to state in any such application or report any material fact which is required to be stated therein;

and that such penalty is in the public interest.

- b) The maximum amount of penalty for each act or omission described in this Article shall be ----- for a natural person or ---- for any other person.
- c) In considering under this section whether a penalty is in the public interest, the Commission or the appropriate regulatory agency may consider--

- (1) whether the act or omission for which such penalty is assessed involved fraud, deceit, manipulation, or deliberate or reckless disregard of a regulatory requirement;
- (2) the harm to other persons resulting either directly or indirectly from such act or omission;
- (3) the extent to which any person was unjustly enriched, taking into account any restitution made to persons injured by such behavior;
- (4) the need to deter such person and other persons from committing such acts or omissions; and
 - (5) such other matters as justice may require.
- d) Any penalty imposed under this section may be reviewed in a court of competent jurisdiction. The court shall review the Commission action to determine whether it was arbitrary or without adequate justification based on the record compiled by the Commission in its proceeding.

Article 12. Securities investors protection funds.

- a) Under such rules, regulations and instructions as the Commission may from time to time prescribe or approve in the public interest, the Commission shall establish, or facilitate the establishment of, an insurance fund for the purpose of compensating investors for extraordinary losses or damage they may suffer as a result of business failure or fraud or mismanagement by capital market participants with whom they may entrust securities or cash in connection with transactions in securities.
- b) The Commission may, having due regard to the public interest or the protection of investors, regulate, supervise, examine, suspend or otherwise discontinue such funds under such rules, regulations and instructions which the Commission may promulgate, and which may include taking custody and management of the fund itself as well as investments in and disbursements from the funds under such forms of control and supervision by the Commission as it may from time to time require.
- c) The authority granted to the Commission under this Article shall apply to all funds established for the protection of investors, whether established by the Commission or otherwise.
- d) The Commission may impose transaction charges and fees on securities trades for the purpose of funding any insurance system established pursuant to this provision. The Commission, by rule or regulation, also may require contributions to the fund or funds from investors, exchanges, brokers, dealers, underwriters, transfer agents, salesmen and other persons transacting in securities based on the amounts of risk they create for the fund.

Article 13. Notice of rule making

a) Prior to implementing any rule, regulation or instruction, or any amendment thereto, issued under this Law, the Commission shall publish notice of its intent prior to the proposed date of taking effect of such rule, regulation, instruction or amendment.

The notice shall provide at least 30 days for the submission of written comments to the Commission.

- b) All persons shall have the right to submit written comments on any proposed rule, regulation or instruction, or any amendment thereto within the 30-day period provided herein. After due consideration to the comments submitted, the final version of the rule, regulation, instruction or amendment shall be published at least 20 days prior to its effective date.
- (c) The publication required under this Article may be on the Commission's website or otherwise, as the Commission may determine will be most appropriate for providing notice to interested parties.

Article 14. Fees

The Commission is authorized by this Law to charge reasonable fees for the following:

- Filing of prospectus;
- Licensing of investment companies;
- Licensing of brokers and dealers;
- Registration of salesmen;
- Licensing of stock exchanges;
- Registration of -----.

Chapter 3 Disclosure

Article 15. No public offer without effective prospectus

- a) No person shall publicly offer securities for sale unless a prospectus shall (i) be filed with the Commission, together with such additional information as the Commission, through rules, regulations or instructions, shall require; and (ii) be declared effective by the Commission.
- b) In addition to any other requirements the Commission may impose pursuant to this Article, the additional information to be filed together with the prospectus shall include the following:
- (1) a copy of any agreement or agreements made with the underwriter;
- (2) a copy of the opinion or opinions of counsel in respect to the legality of the issue, with a translation of such opinion, when necessary, into the ---- language;
- (3) a copy of all material contracts referred to in paragraph -- of , but no disclosure shall be required of any portion of any such contract if the Commission determines that disclosure of such portion would impair the value of the contract and would not be necessary for the protection of the investors;

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- (4) a) a copy of its articles of association, with all amendments thereof and of its existing memorandum of association or instruments corresponding thereto, whatever the name, if the issuer be a public shareholding company; (b) copies of all instruments by which the limited liability company is created or declared, if the issuer is a limited liability company; (c) a copy of its articles of partnership or association and all other papers pertaining to its organization, if the issuer is a partnership, unincorporated association, or any other form of organization; and a copy of the underlying agreements or indentures affecting any stock, bonds, or debentures offered or to be offered; and
- (5) copies of the issuer's agreements with an independent transfer agent and registrar for the subject securities.

Article 16. Public issuer

Any person who shall file a prospectus that has been declared effective in accordance with the provisions of this Law shall be deemed a "public issuer" for purposes of this Law.

Article 17. Public offer defined

For the purposes of this Law, an offer shall be deemed to be a public offer if made to more than thirty persons for the sale of more than 5% of a class of securities of the issuer.

Article 18. Prospectus requirements

- a) To qualify as a prospectus for purposes of this Law, a document must be in writing or in such electronic form as the Commission, by rule, regulation or instruction, may prescribe and shall contain ---
- (1) The name under which the issuer is doing or intends to do business;
- (2) the location of the issuer's principal business office, and if the issuer is a foreign person, the name and address of its agent in the Kingdom authorized to receive notice:
- (3) the names and addresses of the directors or persons performing similar functions, and the chief executive, financial and accounting officers, chosen or to be chosen if the issuer be a public shareholding company, association, limited liability company, or other entity; of all partners, if the issuer be a partnership; and of the issuer, if the issuer be an individual; and of the promoters in the case of a business to be formed, or formed within two years prior to the filing of the prospectus;
- (4) the names and addresses of the underwriters;
- (5) the names and addresses of all persons, if any, owning of record or beneficially, if known, more than 10 per centum of any class of stock of the issuer, or more than 10 per centum in the aggregate of the outstanding stock of the issuer as of a date within twenty days prior to the filing of the prospectus;

- (6) the general character of the business actually transacted or to be transacted by the issuer;
- (7) a statement of the capitalization of the issuer, including the authorized and outstanding amounts of its capital stock and the proportion thereof paid up, the number and classes of shares in which such capital stock is divided, par value thereof, or if it has no par value, the stated or assigned value thereof, a description of the respective voting rights, preferences, conversion and exchange rights, rights to dividends, profits, or capital of each class, with respect to each other class, including the retirement and liquidation rights or values thereof;
- (8) the amount of capital stock of each class issued or included in the shares of stock to be offered:
- (9) if a bond, the amount of the funded debt outstanding and to be created by the security to be offered, with a brief description of the date, maturity, and character of such debt, rate of interest, character of amortization provisions, and the security, if any, therefor. If substitution of any security is permissible, a summarized statement of the conditions under which such substitution is permitted. If substitution is permissible without notice, a specific statement to that effect;
- (10) the estimated net proceeds to be derived from the security to be offered;
- (11) a detailed specification of the purposes and the approximate amounts to be devoted to each purpose, so far as determinable, for which the security to be offered is to supply funds, and if the funds are to be raised in part from other sources, the amounts thereof and the sources thereof, shall be stated;
- (12) the remuneration, paid or estimated to be paid, by the issuer or its predecessor, directly or indirectly, during the past year and ensuing year to (a) the directors or persons performing similar functions, and (b) its officers and other persons, naming them wherever such remuneration exceeded JD----during any such year;
- (13) the price at which it is proposed that the security shall be offered to the public, and if any portion of such security is proposed to be offered to any persons or classes of persons (other than the underwriters) at a different price, the method by which such price is computed;
- (14) all commissions or discounts paid or to be paid, directly or indirectly, by the issuer to the underwriters in respect of the sale of the security to be offered. Commissions shall include all cash, securities, contracts, or anything else of value, paid, to be set aside, disposed of, or understandings with or for the benefit of any other persons in which any underwriter is interested, made, in connection with the sale of such security;
- (15) the amount, or estimated amounts, itemized in reasonable detail, of expenses, other than underwriter commissions, incurred or borne by or for the account of the issuer in connection with the sale of the security to be offered or

- properly chargeable thereto, including legal, engineering, certification, authentication, and other charges;
- (16) the net proceeds derived from any security sold by the issuer during the two years preceding the filing of the prospectus, the price at which such security was offered to the public, and the names of the principal underwriters of such security;
- (17) any amount paid within two years preceding the filing of the prospectus or intended to be paid to any promoter and the consideration for any such payment;
- (18) the names and addresses of the vendors and the purchase price of any property, or good will, acquired or to be acquired, not in the ordinary course of business, which is to be defrayed in whole or in part from the proceeds of the security to be offered, the amount of any commission payable to any person in connection with such acquisition, and the name or names of such person or persons, together with any expense incurred or to be incurred in connection with such acquisition, including the cost of borrowing money to finance such acquisition;
- (19) full particulars of the nature and extent of the interest, if any, of every director, principal executive officer, and of every stockholder holding more than 10 per centum of any class of stock or more than 10 per centum in the aggregate of the stock of the issuer, in any property acquired, not in the ordinary course of business of the issuer, within two years preceding the filing of the prospectus or proposed to be acquired at such date;
- (20) the names and addresses of counsel who have passed on the legality of the issue:
- (21) dates of and parties to, and the general effect concisely stated of every material contract made, not in the ordinary course of business, which contract is to be executed in whole or in part at or after the filing of the prospectus or which contract has been made not more than two years before such filing. Any management contract or contract providing for special bonuses or profit-sharing arrangements, and every material patent or contract for a material patent right, and every contract by or with a public utility company or an affiliate thereof, providing for the giving or receiving of technical or financial advice or service (if such contract may involve a charge to any party thereto at a rate in excess of JD----- per year in cash or securities or anything else of value), shall be deemed a material contract;
- (22) a balance sheet as of a date not more than ninety days prior to the date of the filing of the prospectus showing all of the assets of the issuer, the nature and cost thereof, whenever determinable, in such detail and in such form as the Commission shall prescribe (with intangible items segregated), including any loan in excess of JD ---- to any officer, director, stockholder or person directly or indirectly controlling or controlled by the issuer, or person under direct or indirect common control with the issuer. All the liabilities of the issuer in such detail and such form as the Commission shall prescribe, including surplus of the issuer showing how and from what sources such surplus was created, all as of a date not more than ninety days prior to the filing of the prospectus. If such statement be not certified by an independent public or certified accountant, in

- addition to the balance sheet required to be submitted under this Article, a similar detailed balance sheet of the assets and liabilities of the issuer, certified by an independent public or certified accountant, of a date not more than one year prior to the filing of the prospectus, shall be submitted;
- (23) a profit and loss statement of the issuer showing earnings and income, the nature and source thereof, and the expenses and fixed charges in such detail and such form as the Commission shall prescribe for the latest fiscal year for which such statement is available and for the two preceding fiscal years, year by year, or, if such issuer has been in actual business for less than three years, then for such time as the issuer has been in actual business, year by year. If the date of the filing of the prospectus is more than six months after the close of the last fiscal year, a statement from such closing date to the latest practicable date. Such statement shall show what the practice of the issuer has been during the three years or lesser period as to the character of the charges, dividends or other distributions made against its various surplus accounts, and as to depreciation, depletion, and maintenance charges, in such detail and form as the Commission shall prescribe, and if stock dividends or avails from the sale of rights have been credited to income, they shall be shown separately with a statement of the basis upon which the credit is computed. Such statement shall also differentiate between any recurring and nonrecurring income and between any investment and operating income. Such statement shall be certified by an independent public or certified accountant;
- (24) if the proceeds, or any part of the proceeds, of the security to be issued is to be applied directly or indirectly to the purchase of any business, a profit and loss statement of such business certified by an independent public or certified accountant, meeting the requirements of paragraph --- of this Article, for the three preceding fiscal years, together with a balance sheet, similarly certified, of such business, meeting the requirements of paragraph --- of this Article of a date not more than ninety days prior to the filing of the prospectus or at the date such business was acquired by the issuer if the business was acquired by the issuer more than ninety days prior to the filing of the prospectus.
- b) The Commission, by rule, regulation or instruction may require additional information to be included in a written document or electronic file in order to qualify as a prospectus for purposes of this Law.

Signatures required on prospectus Article 19.

To qualify as a prospectus for purposes of this Law, a document or electronic file must be signed by the chief executive officer, the chief financial officer, the chief operating officer and.

- if a public shareholding company, a majority of its board of directors;
- if a limited liability company, by a majority of the partners;
- if a partnership, by a majority of the general partners;
- if a newly organized company, by a majority of its promoters; and
- an officer, director or partner of the underwriter.

For purposes of this provision, the Commission may prescribe a form of electronic signature that shall serve as equivalent to a writing.

Article 20. Liability of prospectus signers

Any person signing the prospectus shall be liable for any misstatements of material facts, or omissions of material facts, therein.

Article 21. Form of prospectus to be prescribed by Commission

- a) The Commission, by rule, regulation or instruction, shall prescribe a standard form of written or electronic prospectus to be submitted in fulfillment of the requirements of Article --.
- b) The Commission, by rule, regulation or instruction, shall prescribe a standard form for the submission of the additional information to be submitted together with the prospectus in fulfillment of the requirements of Article --. The standard form may be in writing or in electronic form.

Article 22. Prospectus public upon filing

- a) A prospectus filed with the Commission shall become public upon filing.
- b) The Commission shall provide for public access to prospectuses and other information filed pursuant to this Article.
- c) Upon petition by an issuer or underwriter, good cause therefor appearing, the Commission may order portions of the information filed together with the prospectus under to be treated as confidential on the grounds that public disclosure would risk disclosing important business secrets. The Commission shall hold a hearing to decide the claims presented in the petition.

Article 23. Notification of changes

The issuer shall inform the Commission in writing or electronically of any changes to the information in the prospectus as soon as they occur, whether or not the prospectus has been declared effective.

Article 24. Periodic reports

- a) Every public issuer and every issuer of securities traded on a licenses stock exchange (whether or not listed by the issuer) shall file with the Commission and publish the following periodic reports:
- an annual report, including financial statements certified by an independent auditor, within 90 days of the end of its fiscal year;
- a semi-annual report 180 days after the annual report;

- a report of the election of a board of directors or a change in the composition or identity of the board of directors, and
- within 10 days of its occurrence, a report of any non-routine event likely to have material significance for the business and success of the issuer.
- b) The Commission, by rule, regulation or instruction, shall prescribe the form and content of the reports required under this Article. In prescribing the form of such reports, the Commission shall give due consideration to the feasibility of electronic filing.
- c) Publication of the reports specified in paragraph a) may be in a newspaper of general circulation in the Kingdom, by means of written or electronic mailings addressed to each security holder of record or by such other means as the Commission may by rule, regulation or instruction prescribe.

Article 25. Commission declaration of effectiveness of prospectus

- a) The Commission staff shall review prospectuses and the accompanying information filed pursuant to Articles -- & -- to determine whether the filings satisfy the requirements of this Law and the rules, regulations and instructions issued thereunder. For this purpose, the Commission may hold hearings for the purpose of evaluating the adequacy and accuracy of information provided.
- b) The Commission may deny effectiveness to a prospectus if it finds that--
 - 1) The prospectus, or any of the accompanying information, does not conform to the requirements of this Law or the rules, regulations or instructions thereunder;
 - 2) The prospectus or any of the accompanying information contains false or misleading information, omits facts or information material to the making of an investment decision by public investors or presents information in a way that renders the information set forth therein, in the context in which it appears, false, misleading or inaccurate; or
 - 3) If the required fees have not been paid.

Article 26. Registrar and transfer functions of a public issuer

No prospectus shall be declared effective unless the issuer shall have provided for its transfer and registrar functions to be conducted by an independent transfer agent and an independent registrar and the agreements therefor are filed with the Commission.

This provision shall come into force and effect on and after

Article 27. Acquisitions of public issuer securities

No person shall publicly offer to purchase, or acquire by exchange, more than -- [20%?] of a public issuer's securities unless a take-over statement shall be filed with the Commission in a form that the Commission shall prescribe through rules, regulations or instructions.

Chapter 4 Licensing, registration and monitoring Of professionals engaged in capital market activities

Article 28. Requirements to be licensed

- a). Unless licensed by, or registered with, the Commission in accordance with its rules, regulations and instructions, no person may engage in the business of serving as a --
 - investment manager,
 - financial consultant.
 - financial services company,
 - manager of primary issues or underwriter,
 - stock exchange,
 - investment trustee,
 - custodian,
 - depository,
 - transfer agent, or
 - clearing agency

with respect to securities of a public issuer or of securities trading on a licensed stock exchange.

b). For purposes of this Article, the Commission may exempt one or more classes of securities of a public issuer where the public interest does not require professionals transacting in such securities to be licensed by the Commission.

Article 29. Licensing of financial brokers ("brokers") and dealers -

No financial broker (hereafter "broker") or dealer shall engage in business in the Kingdom as such broker, dealer or sell any securities unless he has been licensed as a broker or dealer pursuant to the provisions of this Chapter.

Article 30. Registration of salesmen

- a) No salesman shall engage in business in the Kingdom as a salesman or sell, purchase or deal in any securities unless he has been registered as a salesman pursuant to the provisions of this Chapter.
- b) Upon the written application of a licensed dealer or broker, and upon a showing of good character and payment of the fee prescribed by the Commission, the Commission shall register as salesman of such dealer or broker such natural person as the dealer or broker may request. Such registration shall terminate upon the termination of employment of such salesman by such dealer or broker.

Article 31. Bond or financial security required

Upon being licensed, a broker or dealer shall file with the Commission a bond, or other security in lieu thereof, in such sum as may be fixed by the Commission which it may deem adequate for the protection of the public, running to the Government of the Kingdom, and conditioned upon the faithful compliance with the provisions of this Act by said broker or dealer and by all salesmen registered by the latter while acting for him. Such bond shall be executed by a surety company authorized to do business in the Kingdom. In lieu of such bond, he may file bonds of the Government of the Kingdom. If a bond is filed, any person damaged by the failure of such broker or dealer or of any salesman registered by the latter while acting for him, to comply with the provisions of this Act, shall be entitled to sue the sureties under such bond and to recover the damages so suffered thereunder. If other securities are filed in lieu thereof, such person may subject such securities to the payment of such damage.

Article 32. Licensing of financial services companies

A licensed financial services company is authorized to conduct business as a broker, dealer, investment manager, investment trustee, financial consultant and manager of primary issues (underwriter) or any combination of these services.

Article 33. Separation of functions

No person shall at the same time serve both as an investment manager and as an investment trustee for the same account or for the same client.

Article 34. Application for license as broker, dealer, investment manager, financial consultant, financial services company, investment trustee or manager of primary issues ("underwriter")

- (a). An application for licensing as a broker, dealer, investment manager, financial consultant, financial services company, investment trustee or manager of primary issues ("underwriter") shall be filed in writing with the Commission in such form as the Commission, by rule, regulation or instruction, may prescribe. The application shall be duly verified under oath, and shall state
 - the principal office of the applicant, wherever situated and its principal office and all branch offices in the Kingdom, if any;
 - the name or style of doing business;
 - the corporate or business names;
 - residences and business addresses of all persons interested in the business as principals, co-partners, officers and directors, specifying as to each his capacity and title; and
 - the character of the business and the length of time the applicant has been engaged in said business.

- (b). The Commission may also require such additional information, under oath, as to applicant's previous history, record and connection with other companies, as it may deem necessary to establish the good repute in business of the applicant.
- (c). There shall be filed with such application an irrevocable written consent to the service of process upon the Commission in actions against such broker, dealer, investment manager, financial consultant, financial services company, investment trustee or manager of primary issues ("underwriter") in the manner and form as provided by the Commission in rules, regulations or instructions.
- (d). If the Commission finds that the applicant is of good repute and has complied with the provisions of this Act, including the payment of any fee required by the Commission, it shall license such applicant as a broker, dealer, investment manager, financial consultant, financial services company, investment trustee or manager of primary issues ("underwriter").
- (e). Every license under this Section shall expire on the thirty-first day of December in each year, but a new license for the succeeding year shall be issued upon written application and upon payment of the fee as hereinafter provided, without filing of further statements or furnishing any further information unless specifically required by the Commission. Applications for renewals must be made not less than thirty nor more than sixty days before the first day of the ensuing year, otherwise they shall be treated as original applications. The fee for such license and for each annual renewal shall be in such reasonable amount as may be determined by the Commission.
- (f). Changes in a license occasioned by changes in the personnel of a partnership or in the principals, co-partners, officers or directors of any broker, dealer, investment manager, financial consultant, financial services company, investment trustee or manager of primary issues ("underwriter") may be made from time to time by written application setting forth the facts with respect to such change.

Article 35. Public record of licensees

The names and addresses of all persons approved for licensing as broker, dealer, investment manager, financial consultant, financial services company, investment trustee or manager of primary issues ("underwriter"), or for registration as salesmen, and all orders with respect thereto, shall be recorded in a Register of Brokers, Dealers, Salesmen and Other Financial Intermediaries kept in the office of the Commission which shall be open to public inspection.

- Article 36. Revocation of license of a broker, dealer, salesman investment manager, financial consultant, financial services company, manager of primary issues ("underwriter"), or investment trustee
- a) A license or registration under this Law may be refused, or any license granted may be revoked, by the Commission if, after reasonable notice and hearing, the Commission determines that such applicant or registrant:

- (1) Has violated any provision of this Act or any rule, regulation or instruction hereunder; or
- (2) Has made a material false statement in the application for license; or
- (3) Has been guilty of a fraudulent act in connection with any sale of securities, or has been or is engaged or is about to engage in making fictitious or pretended sales or purchases of any such securities or has been or is engaged or is about to engage in any practice or sale of securities which is fraudulent or in violation of the law; or
- (4) Has demonstrated his unworthiness to transact the business of a broker, dealer, salesman, investment manager, financial consultant, financial services company, manager of primary issues ("underwriter") or investment trustee.
- b) In cases of charges against a salesman, notice thereof shall also be given the broker or dealer employing such salesman.
- c) Pending the hearing, the Commission shall have the power to order the suspension of license or registration; Provided, that the order shall state the cause for such suspension.
- d) Until the entry of a final order, the suspension of a license, though binding upon the persons notified thereof, shall be deemed confidential, and shall not be published, unless it shall appear that the order of suspension has been violated after notice.
- e) The final order of the Commission refusing or revoking a license, together with its findings, shall be entered in the Register of Brokers, Dealers, Salesmen and Other Financial Intermediaries. The suspension or revocation of the license of a dealer or broker shall also automatically suspend or revoke the registration of all his salesmen.

Article 37. Denial or cancellation of license

It shall be sufficient cause for refusal or cancellation of license in case of a partnership or corporation, if any member of a partnership or any officer or director of the corporation or association has been guilty of any act or omission which would be cause for refusing or revoking the license of an individual broker, dealer, salesman, investment manager, financial consultant, financial services company, manager of primary issues ("underwriter"), or investment trustee.

Article 38. Duty of professionalism

In carrying out their activities, licensed brokers, dealers, investment managers, financial consultants, financial services companies, managers of primary issues ("underwriter") or financial intermediaries, and employees thereof, shall perform their duties and abide by the rules of professional conduct to be issued for this purpose, such as acting with loyalty and dedication, in their clients best interests so as to realize their clients investment

objectives. They also shall not discriminate between clients, charge them excessive commissions and fees, or guarantee or promise them definite amounts of profits, or otherwise act fraudulently or in deceit.

Article 39. Books and records of licensees

- a) Every person licensed under the provisions of this Chapter shall make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the Commission, by rule, regulation or instruction may prescribe as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of this Law.
- b) All records of persons described in this Article are subject at any time, or from time to time, to such reasonable periodic, special, or other examinations by representatives of the Commission as the Commission deems necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of this Law.

Article 40. Liquidation

c) The liquidation of any broker, dealer broker, dealer, investment manager, financial consultant, financial services company, investment trustee or manager of primary issues ("underwriter"), whether voluntary or involuntary, shall be carried out under the Commissions' monitoring and supervision. Provided, however, that this provision shall not apply to a bank licensed to carry on banking business in the Kingdom under the Banking Law.

Chapter 5 Trading markets

Article 41. Trading only on a licensed stock exchange

It shall be unlawful for any licensed broker or dealer to effect any transaction in a security of a public issuer, or to report any such transaction, except on a licensed stock exchange unless such security or exchange specifically is exempt from this limitation by the Commission.

Article 42. License; application

(a). An exchange may be licensed as a securities exchange under the terms and conditions hereinafter provided in this Article by filing with the Commission an application for license in such form as the Commission, by rule, may prescribe containing the rules of the exchange and such other information and documents as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors.

- An exchange shall not be licensed as a national securities exchange unless the Commission determines that -
- (1) Such exchange is so organized and has the capacity to be able to carry out the purposes of this Law and to comply, and to enforce compliance by its members and persons associated with its members, with the provisions of this Law, the rules, regulations and instructions thereunder, and the rules of the exchange.
- (2) The rules of the exchange provide for the equitable allocation of reasonable dues, fees, and other charges among its members and issuers and other persons using its facilities.
- (3) The rules of the exchange are designed to prevent fraudulent and manipulative acts and practices, to promote fair and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, and, in general, to protect investors and the public interest; and are not designed to permit unfair discrimination between customers, issuers, brokers, or dealers, or to regulate by virtue of any authority conferred by this Law matters not related to the purposes of this Law or the administration of the exchange.
- (4) The rules of the exchange provide that its members and persons associated with its members shall be appropriately disciplined for violation of the provisions of this Law, the rules, regulations and instructions thereunder, or the rules of the exchange, by expulsion, suspension, limitation of activities, functions, and operations, fine, censure, being suspended or barred from being associated with a member, or any other fitting sanction.
- (5) The rules of the exchange provide a fair procedure for the disciplining of members and persons associated with members, the denial of membership to any person seeking membership therein, the barring of any person from becoming associated with a member thereof, and the prohibition or limitation by the exchange of any person with respect to access to services offered by the exchange or a member thereof.
- (6) The rules of the exchange do not impose any burden on competition not necessary or appropriate in furtherance of the purposes of this Law.
- (7) The rules of the exchange establish standards of training, experience, and competence, of financial responsibility and of operational capability for its members and person associated with such members.
- (8) The rules of the exchange establish standards and procedures for disciplinary action in the case of members who do not meet the exchange standards of training, experience, and competence, of financial responsibility and of operational capability.

Article 43. Bases for exchange to bar or restrict membership

a) A licensed securities exchange may bar a natural person from becoming a member or associated with a member, or condition the membership of a natural person or association of a natural person with a member, if such natural person (i) does not meet such standards of training, experience, and competence as are prescribed by the rules of the exchange or (ii) has engaged and there is a reasonable likelihood he may again engage in acts or practices inconsistent with just and equitable principles of trade.

- b) A licensed securities exchange may examine and verify the qualifications of an applicant to become a person associated with a member in accordance with procedures established by the rules of the exchange and require any person associated with a member, or any class of such persons, to be registered with the exchange in accordance with procedures so established.
- c) A licensed securities exchange may bar any person from becoming associated with a member if such person does not agree (i) to supply the exchange with such information with respect to its relationship and dealings with the member as may be specified in the rules of the exchange and (ii) to permit the examination of its books and records to verify the accuracy of any information so supplied.
- d) A licensed securities exchange may limit (A) the number of members of the exchange and (B) the number of members and designated representatives of members permitted to effect transactions on the floor of the exchange without the services of another person acting as broker.
- e) In any proceeding by a licensed securities exchange to determine whether a member or person associated with a member should be disciplined (other than a summary proceeding), the exchange shall bring specific charges, notify such member or person of, and give him an opportunity to defend against, such charges, and keep a record. A determination by the exchange to impose a disciplinary sanction shall be supported by a statement setting forth -
 - (A) any act or practice in which such member or person associated with a member has been found to have engaged, or which such member or person has been found to have omitted:
 - (B) the specific provision of this Law, the rules, regulations or instructions thereunder, or the rules of the exchange which any such act or practice, or omission to act, is deemed to violate; and
 - (C) the sanction imposed and the reasons therefor.
- f) In any proceeding by a licensed securities exchange to determine whether a person shall be denied membership, barred from becoming associated with a member, or prohibited or limited with respect to access to services offered by the exchange or a member thereof (other than a summary proceeding) the exchange shall notify such person of, and provide an opportunity for him to be heard upon, the specific grounds for denial, bar, or prohibition or limitation under consideration and keep a record. A determination by the exchange to deny membership, bar a person from becoming associated with a member, or prohibit or limit a person with respect to access to services offered by the exchange or a member thereof shall be supported by a statement setting forth the specific grounds on which the denial, bar, or prohibition or limitation is based.
- g) Notwithstanding the foregoing provisions of this Article, a licensed securities exchange may summarily suspend, or limit or prohibit access to services offered by the exchange, a member who is in such financial or operating difficulty that the exchange determines and so notifies the Commission that the member cannot be

permitted to continue to do business as a member with safety to investors, creditors, other members, or the exchange.

Article 44. Requirement for issuer registrar and transfer functions

No stock exchange shall be licensed under this Law unless its rules prohibit trading of any securities whose issuer has not provided for its transfer and registrar functions to be conducted by an independent transfer agent and an independent registrar. The Commission, by order or rule, may postpone the coming into effect of this requirement.

Article 45. Public companies not required to list

Except as otherwise specifically provided, nothing in this Law shall be construed as requiring all public issuers or public stock companies to list their shares or securities on a stock exchange.

Chapter 6 Licensing of Clearing Agents and Custodians

Article 46. Registration

- (a). Except as otherwise provided in this Article, it shall be unlawful for any person to perform the function of a clearing agent or custodian with respect to the security of a public issuer unless licensed by the Commission.
- (b). The Commission, by rule or order, upon its own motion or upon application, may conditionally or unconditionally exempt any person or security or class of persons or securities from any provision of this Article or any rule, regulation or instruction hereunder, if it finds that such exemption is in the public interest and consistent with the protection of investors and the purposes of this Article, including the prompt and accurate clearance and settlement of securities transactions and the safeguarding of securities and funds.
- (c). If the license applicant is a bank licensed under the Banking Law, the license shall be granted provided practice is through a subsidiary or affiliate company, or through separate accounts.

Article 47. Licensing

- (a). A clearing agent or custodian may be licensed by filing with the Commission an application in such form and containing such information and documents concerning such applicant as the Commission may prescribe as necessary or appropriate in furtherance of the purposes of this Article.
- (b). The Commission shall prescribe the form and content of the required application by rule, regulation or instruction. Such requirements shall be designed to develop the facts

necessary to evaluate the financial capacity and competence of the applicant to fulfill the responsibilities as a clearing agent or custodian for which a license is sought.

Article 48.

The Commission, by order, shall deny a license to, censure, place limitations on the activities, functions, or operations of, suspend for a period not exceeding 12 months, or revoke the license of a licensed clearing agent or custodian, if the Commission, on the record after notice and opportunity for hearing, finds that such denial, censure, placing of limitations, suspension, or revocation is in the public interest.

Chapter 7 The Securities Depository Center

Article 49. Establishment of Securities Depository Center

- (a) A Center to be known as the "Securities Depository Center" shall be established in the Kingdom to serve as the depository and the agency for clearing and settlement for securities transactions on the stock exchange and for price settlement of such among financial brokers.
- (b) The Center shall be the only entity authorized to carry out such activities in the Kingdom. It shall be a separate juridical entity with administrative and financial independence. As such, it may carry out all legal acts, including concluding contracts, acquiring and disposing of movable and immovable property, and appointing a lawyer to act on its behalf in legal proceedings.
- (c) The Center's objective shall be the safekeeping of securities listed on the stock exchange and the orderly clearing and settlement of transactions.

Article 50. Registration and transfer

- (a) Registration and transfer of ownership of securities traded on the stock exchange and the price settlements of such securities between financial brokers shall be by means of entries in the Center's records.
- (b) Unless otherwise proven, the entry records and the accounts maintained by the Center, whether manually or electronically, as well as any document issued by the Center shall constitute *prima facie* legal evidence of ownership, registration, and transfer of ownership of the securities mentioned therein and of the price settlements of such securities between financial brokers, on the date of the records, accounts or documents.

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Article 51. Autonomy of the Center

- (a) Subject to approval by the Commission, the Center shall determine its membership, fee structure, organizational form and lines of business; provided, however, that the Center shall not engage in any business involving brokerage or advising with respect to securities or financial intermediation.
- (b) No person shall combine the membership of the Center's Board of Directors and the stock exchange's Board of Directors.

Article 52. Commission oversight

The Center's By-laws and Instructions shall be subject to approval by the Commission and shall include provision for the following:

- (a) Registration and transfer of ownership of securities, and price settlements of securities traded in the stock exchange;
- (b) Information, data, and records that are considered confidential and the persons authorized to have access thereto, by virtue of their job;
- (c) Information, data and records that the Center must disclose and the information, data and records that are accessible to the public for viewing and copying;
- (d) Standards of professional conduct applicable to the members of the Center and members of the Board of Directors, and to the Executive Officer and the Center's employees.

Article 53. Fees and commissions

Subject to approval by the Commission, the Center is authorized to require, and to fix the amounts of, members' subscription and annual fees and commissions and fees for its services.

Chapter 8 Mutual Funds and Investment Companies

Article 54. Legal authority for creation of mutual funds

a). This Law authorizes the formation of a new form of business enterprise known as a "mutual fund" which shall qualify as a legal person within the meaning of Section 50 of

the Jordan Civil Code. A mutual fund shall be organized pursuant to, and shall operate in accordance with, the provisions of this Chapter and the rules, regulations and instructions thereunder.

b). The purpose of a mutual fund is to invest in a portfolio of securities or other financial assets for the purposes of providing professional management of a collective investment on behalf of the interests of its shareholders. A mutual fund shall, in its own name and capacity, have the right to own and dispose of property, conclude contracts, and sue or be sued.

Article 55. Requirement for licensing; Commission power to exempt

- 1. No person shall offer interests in any arrangement whereby the interests of participants are pooled for the purpose of investing in financial assets, profits are shared and the day-to-day management of the arrangement is centralized unless
 - a. It is organized as a mutual fund under this Chapter; or
 - b. It is licensed by the Commission as an investment company.
- 2. The Commission shall have the authority, by rule, regulation or instruction or order, to provide exemptions to this requirement or to compliance with specific requirements of this Chapter applicable to mutual funds and investment companies. Any rule or order issued hereunder shall be published and made public. By rule, regulation or instruction, the Commission shall establish procedures to apply for specific exemption pursuant to this provision.
- 3. Without limiting the generality of paragraph 2 of this Article, the Commission, by rule, regulation or instruction shall provide exemptions under this Chapter for the following:
 - banks licensed under the Banking Law,
 - insurance companies,
 - venture capital companies with fewer than investors, or
 - any collective investment fund or similar fund maintained by a bank exclusively for the collective investment and reinvestment of moneys contributed thereto by the bank in its capacity as a trustee, executor, administrator, or guardian.

Article 56. Types of mutual funds

A mutual fund may be organized either as an "open-end" investment scheme or as a "closed-end" investment scheme. This Chapter shall constitute the legislative basis for the organization of such a mutual fund, whereby it shall qualify in all respects as a legal person within the meaning of Section 50 of the Jordan Civil Code. Without limiting the generality of the foregoing, a mutual fund organized under this Chapter shall have the capacity to contract in its own name, to sue and be sued, to issue securities in its own name and to do anything else a legal person within the meaning of Section 50 of the Jordan Civil Code may do.

Article 57. Open-end funds

An open-end fund shall have the authority to continuously issue and repurchase its shares, and the shares it issues shall not be transferable except through inheritance or succession. The price at which it issues and repurchases its shares shall be based on the pro rata portion of the net asset value of the fund as at the time of such issue or repurchase. [See Company Law Art. 209(b)(4)]

Article 58. Closed-end funds

A closed-end fund shall be organized on the basis of a stated capital, and its shares shall be as freely transferable as the shares of a public limited company organized under the laws of Jordan. The shares of a closed-end fund may be issued either by public offering or by private placement and may be listed on the stock exchange. ['97 Sec Law Art 46B]

Article 59. Capital of open-end fund

The board of directors alone, without the need to obtain the approval of the shareholders, shall have the right to increase or decrease the authorized capital of an open-end mutual fund. [Company Law Article 209(b)(3)]

The shares of an open-end fund may be issued or redeemed only at the price calculated on the basis of its net assets, in accordance with principles and procedures prescribed by the Commission. ['97 Sec Law Art 46]

Article 60. Shareholders

A mutual fund shall be organized and managed for the benefit of its shareholders. The fund's capital shall be divided into investment units with equal entitlements. Owners of such units shall be liable only in the amount of their shares in the fund's capital. Payments for the investment units shall be in cash in one installment upon subscription. ['97 Sec. Law Art. 45]

A shareholder of an open-end mutual fund may request the company to redeem his shares at a price representing the net value of the shares calculated on the date of redemption less the value of any applicable fees or commissions, calculated in accordance with principles and procedures prescribed by the Commission. [Company Law Art. 209(b)(4)]

Article 61. Fund management

A mutual fund shall have a board of directors, no more than -- % of whom shall be affiliated with an investment manager. The board of directors shall be responsible for retaining and supervising an "investment manager" to conduct the day-to-day management of the fund portfolio. The fund directors shall be elected by the fund shareholders at an annual meeting, at which each fund share shall be entitled to one vote.

Article 62. Fund assets

The capital of the investment fund shall be divided into investment units with equal entitlements. ['97 Sec Law Art 45]

Assets of the investment fund may not be attached to secure or collect any debt assumed by any owner of its investment units. ['97 Sec Law Art 45D]

The principles and criteria for diversification of the investments of mutual funds and the acceptable types of dealings shall be specified in rules, regulations or instructions to be issued by the Commission. [Taken from '97 Sec Law Article 51]

Article 63. -- Prohibited transactions

- (a). Subject to the provisions of paragraph (b) of this Article, no mutual fund or registered investment company may undertake any of the following:
 - a. Borrow in the amount equal to or greater than 10% of the value of its net assets:
 - b. Invest more than 5% of its assets in the securities of the same issuer, except for securities issued by the Government or the Central Bank of Jordan, or guaranteed by either;
 - c. Hold more than 10% of the securities issued by one issuer;
 - a. Invest more than 10% of its assets in securities issued by other investment companies or mutual funds;
 - e. Invest in the securities issued by the fund's investment manager or any companies affiliated therewith.
- (b). The Commission, upon application by a mutual fund or registered investment company, may allow an investment company to exceed the limits stipulated in paragraph (a) if it determines that the investors' interests are adequately protected and that compliance with the stipulated limits would be difficult or impractical.

Article 64. -- Investment management

A mutual fund's investments shall be managed by a licensed investment manager. The fund and the manager shall enter into a management contract for this purpose, and management contracts shall conform to rules, regulations or instructions promulgated by the Commission pursuant to this Law.

Management contracts shall be limited to a term of one year, renewable annually, and subject to approval of the fund shareholders. The full text of the contract between the fund and the investment manager shall be published and provided to each shareholder by mail prior to execution by the fund.

The fund's investment manager shall not have a direct or indirect beneficial investment interest in any transaction he conducts for the fund. No person shall hold jointly any position with the investment manager and the custodian for the fund.

Article 65. Duties and responsibilities of investment manager

The investment manager shall have the following duties and responsibilities:

- a. preparation and filing of fund prospectus
- b. registration of fund shares with the Commission
- c. management of fund investments in accordance with the fund's stated investment policy
- d. promotion and marketing of fund shares
- e. administration of fund share transactions

Article 66. Conflicts of interest

(a) Prohibited relationships

In addition to the prohibitions set forth in Article 63 with respect to investment managers, no licensed investment company shall have a board of directors comprised of more than 60 per centum of persons who are interested persons of such licensed company. For purposes of this Article, "interested persons" shall include any person or partner or employee of any investment manager, broker, dealer, underwriter, financial consultant or legal counsel for such licensed company.

(b) Prohibited transactions

It shall be unlawful for any promoter, investment manager of, custodian or underwriter for, a licensed investment company, or any affiliated person of such promoter, investment manager of, custodian or underwriter for, a licensed investment company --

- (1) knowingly to sell any security or other property to such licensed company or to any company controlled by such licensed company, unless such sale involves solely (A) securities of which the buyer is the issuer, or (B) securities of which the seller is the issuer and which are part of a general offering to the holders of a class of its securities;
- (2) knowingly to purchase from such licensed company, or from any company controlled by such licensed company, any security or other property (except securities of which the seller is the issuer); or
 - (3) to borrow money or other property from such licensed company.
- (c) Commission rules, regulations or instructions prohibiting fraudulent, deceptive or manipulative courses of conduct

It shall be unlawful for any any promoter, investment manager of, custodian or underwriter for, a licensed investment company, or any affiliated person or employee of such promoter, investment manager of, custodian or underwriter for, a licensed investment company to engage in any act, practice, or course of business in connection with the purchase or sale, directly or indirectly, by such person of any security held or to be acquired by such licensed investment company in contravention of such rules, regulations or instructions as the Commission may adopt to define, and prescribe means

reasonably necessary to prevent, such acts, practices, or courses of business as are fraudulent, deceptive or manipulative.

Chapter 9 Enforcement

Article 67. Insider information

- A. For the purposes of this Law, the term "insider information" shall mean information which is not proclaimed and which may affect the price of any security in the event of being proclaimed. Insider information shall not include conclusions based upon financial and economic studies, research and analyses.
- B. For the purposes of this Law, an insider shall mean a person who has access to insider information by virtue of his position or job.

Article 68. Prohibitions on use of inside information

- A. Insiders, including members of the Board of Directors of each the Bourse and the Center, as well as their Executive Managers and employees, shall not use any insider or confidential information to attain material or moral gains whether for their own or for others, and may not divulge any such information to any person other than their respective competent authority or the courts.
- B. Any person who is not an insider but who hears or learns about insider information, and is aware that its source is an insider, shall not exploit such information to attain material or moral gains for his own or for others. Such a person shall also not divulge such information to any other person, except in accordance with the provisions of this Law or any other legislation.
- C. No person shall in any way spread or circulate rumors or give misleading or false information, statements or data that may affect the price of any securities or the reputation of any issuer.
- D. No person shall deal in securities, either solely or in collusion with other persons, with the aim of :
 - 1- giving the public false impression of real dealings in such securities and prompting the public to deal therein;
 - 2- affecting the prices of any securities directly or by affecting the prices of other related securities;
 - 3- adversely affecting the capital market in any manner.

Article 69. Penalties for violation

A. A person found to be violating or taking steps to violate the provisions of this Law or any of the Regulations and Instructions issued pursuant thereto-and after being notified by the Commission, and given opportunity to be heard- may be requested by the Commission, to rectify the violation and the circumstances resulting therefrom, or to desist from committing the violations, or from taking the steps leading thereto,

within a specified period of time. In the case of noncompliance, the Board may have recourse to one or more of the following measures:

- 1- Suspend any prospectus submitted to the Commission, or cease issuance of the securities concerned or dealings therein;
- 2- Suspend all activities related to securities, or to a particular security for the period of time the Commission, deems appropriate;
- 3- Revoke or suspend the license for the period of time the Commission, deems appropriate.
- B. In case of non-compliance with any of the matters set out in paragraph (a) of this Article, the person concerned shall be referred to the competent court.
- C. The court shall look into the cases referred thereto expeditiously, and may issue a temporary injunction for taking any of the measures cited in Paragraph (A) of this Article until the trial is concluded.

Article 70. Fines and imprisonment

- A. Any person who violates the provisions of this Law or any of the Regulations and Instructions issued pursuant thereto shall be subject to a fine of not more than twenty thousand (20000) Jordanian Dinars, in addition to a fine of not less than twice the amount, and not more than five times the amount of profit made or loss avoided by the person who commits the violation.
- B. In addition to the fines specified in Paragraph (A) of this Article, and without prejudice to stricter penalties imposed by any other legislation, any person committing a violation shall be subject to any of the following penalties:
 - 1- Imprisonment of up to three years for violations of the provisions of Article (68) of this Law:
 - 2- Imprisonment of up to one year for violations of the provisions of Articles (35b), (36b) and (45c) of this Law.
- C. The court may exempt from the prison penalty first offenders and offenders who deposit in court or with the Commission sufficient funds to cover all fines and compensation which may be ordered by the court, provided the funds are paid before the court decision becomes final.
- D. Accomplices, accessories and instigators shall be subject to the same penalties as primary offenders.
- E. If the offender is a juridical person, then members of the Boards of Directors, managers, general partners, and concerned employees thereof shall be deemed liable for any violation, unless it is established that those had no knowledge of the violation.
- F. A person who violates intentionally, or as a result of gross negligence or of failing to exercise due care, the provisions of this Law shall be held liable for damages incurred by other persons in the amount of loss incurred or profits foregone.
- G. The provisions of this Article shall not apply to violations committed prior to the coming into force of this Law except for compensation orders and provisional measures.

Article 71. Attachment of assets

- A. The court may attach the assets of any person under trial in order to secure payment of any fines or compensation which may be ordered by the court, and may appoint a custodian over such assets.
- B. The court may suspend or rescind any purchase, sale or issuance in violation of the provisions of this Law and Regulations or Instructions issued pursuant thereto, or any other legislation.

Article 72. Jurisdiction of courts

- A. Civil and Criminal Securities cases instituted pursuant to the provisions of this Law shall be handled by the competent courts expeditiously, including the enforcement of court decisions.
- B. Notification procedures in court cases involving securities shall be carried out pursuant to the Civil Procedures Law. However, notification of persons whose place of residence or business is outside the Kingdom, shall be either at the address of choice thereof within the Kingdom, if any, or by advertising the notification in at least one local daily newspaper, and sending a copy of the notice voucher by registered, courier or first class mail to the address outside the Kingdom, filed at the Commission. In the latter case, the notification date shall be the seventh day from the date of depositing the notification voucher with the mail.
- C. Notwithstanding the provisions of any other legislation, all means of proof shall be admitted as evidence in securities cases, including electronic or computer data, telephone recordings, and telex and facsimile messages.

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